ORCA EXPLORATION GROUP INC.
FORM 51-102F3
MATERIAL CHANGE REPORT

1. NAME AND ADDRESS OF COMPANY

Orca Exploration Group Inc. ("**Orca**" or the "**Company**")
P.O. Box 3152 Road Town
Tortola
British Virgin Islands

2. DATE OF MATERIAL CHANGE

December 29, 2017

3. NEWS RELEASE

A news release setting out information concerning the material change described in this report was issued by the Company on January 2, 2018 and disseminated through the facilities of Globe Newswire, and would have been received by the securities commissions where the Company is a reporting issuer in the normal course of dissemination.

4. SUMMARY OF MATERIAL CHANGE

On January 2, 2018, Orca announced it had entered and delivered into escrow definitive agreements providing for an up to US$130 million investment by Swala Oil & Gas Tanzania plc ("**Swala**") in the Orca Group. The definitive agreements for the investment transactions have been signed by the parties and delivered into escrow pending satisfaction of certain escrow release conditions, including satisfaction of the remaining conditions precedent to the completion of the investor's financing transactions, approval of the International Finance Corporation ("**IFC**") and the TSX Venture Exchange to the investment transactions and satisfaction of all "Know Your Client" requirements of the registered agent of PAE PanAfrican Energy Corporation ("**PAEM**") by Swala and Swala (PAEM) Limited ("**Swala PAEM**"), a wholly-owned subsidiary of Swala. Once these release conditions have been satisfied, which must occur by January 12, 2018, the definitive agreements would be delivered and become effective and the first investment transaction would be completed.

Pursuant to an investment agreement (the "**Investment Agreement**") with Swala PAEM, Swala PAEM has agreed, subject to conditions, to acquire up to 40% of the outstanding shares of Orca's wholly owned subsidiary PAEM, a Mauritius-registered company and the sole shareholder of PanAfrican Energy Tanzania Limited ("**PAET**") for a purchase price of US$130 million, subject to certain purchase price adjustments. The investment transactions are based on an agreed value of US$325 million for PAEM (US$265 million net of the outstanding IFC loan). PAET owns and operates the Orca Group's natural gas exploration development and supply business in Tanzania.

5. FULL DESCRIPTION OF MATERIAL CHANGE

5.1 FULL DESCRIPTION OF MATERIAL CHANGE

On January 2, 2018, Orca announced it had entered and delivered into escrow definitive agreements providing for an up to US$130 million investment by Swala PAEM in PAEM.

Escrow Arrangements

The definitive agreements for the investment transactions have been signed by the parties and delivered into escrow pending satisfaction of certain escrow release conditions, including satisfaction of the remaining conditions precedent to the completion of the investor's financing transactions, approval of the IFC and the TSX Venture Exchange to the investment transactions, and satisfaction of all "Know Your Client" requirements of the registered agent of PAEM by Swala and Swala PAEM. Once these release conditions have been satisfied, which must occur by January 12, 2018, the definitive agreements would be delivered and become effective and the first investment transaction would be completed

Investment Transactions

Pursuant to the Investment Agreement, on satisfaction of the escrow release conditions, Orca would (i) sell 7,933 PAEM Shares (7.93%) of its wholly-owned subsidiary PAEM to Swala PAEM for gross proceeds of US$25,782,250 (US$21,022,450 net of certain purchase adjustments) payable in US$17,055,950 cash and US $3,966,500 face amount of Swala convertible preferred shares. The cash portion of the purchase price for the first investment transaction has been deposited into escrow under an escrow agreement with Orca, Swala and Swala's investors. The first investment transaction must be completed on or before January 12, 2018.

Subject to completion of the first investment transaction, Orca would agree to sell an additional 32,067 PAEM Shares (32.07%) to Swala PAEM for gross proceeds of US$104.2 million (US$84,977,550 net of certain purchase adjustments) payable in US$72,636,358 cash and US $12,341,192 face amount of Swala convertible preferred shares. The remaining investment transactions must be completed on or before February 28, 2018.

The following table sets out the consideration to be received by Orca on the closing of each tranche, before and after taking into account the partial repayments of the principal balance of the IFC loan:

	Swala PAEM Ownership Interest (No. / %)	Consideration Payable to Orca			
		Gross Purchase Price	Net Purchase Price	Purchase Price (Cash)	Purchase Price (Swala Preferred Shares)
First Tranche	7,933 / 7.93%	US$25,782,250	US$$21,022,450	US$17,055,950	US$3,966,500
Second Tranche	12,067 / 12.07%	US$39,217,750	US$31,977,550	US $27,790,204	US$4,187,346
Third Tranche	20,000 / 20%	US$65,000,000	US$53,000,000	US$44,846,154	US$8,153,846
Total	40,000 / 40%	US$130,000,000	US$106,000,000	US$89,692,308	US$16,307,692

Completion of the second and third tranches would be subject to the satisfaction or waiver of certain conditions precedent, including Swala and Swala PAEM raising the necessary funds to complete the transactions and approval by the boards of directors of Orca, Swala PAEM and Swala. No assurances can be given that such transactions will be completed on the terms proposed or at all.

Allocation of Pre-Effective Date Assets and Pre-Effective Date Liabilities

Pre-Effective Date Assets

Under the Investment Agreement, the Parties agreed that Orca will retain the benefits and burdens of certain assets (the "**Pre-Effective Date Assets**") and liabilities (the "**Pre-Effective Date Liabilities**") of the Tanzanian business that relate to the period prior to January 1, 2017 (the "**Effective Date**"). Pre-Effective Date Assets include, among other things, the right to receive payment of the arrears of Tanzania Electric Supply Company Limited and arrears owing by Songas Limited as at the Effective Date, being a total of US$125.3 million, less an estimated US$51 million in TPDC Profit Gas payable under the Production Sharing Contract for the Songo Songo field on receipt of net revenues realized from these arrears. Other Pre-Effective Date Assets include (i) tax assets arising or being allowable in respect of any taxable period ending on or before the Effective Date, (ii) any and all benefits, refunds, credits or other reductions in payments otherwise required to be made to a third party arising or being allowable as a result of an audit in respect of any period ending on or before the Effective Date, (iii) cash and non-cash proceeds resulting from any litigation, arbitration, alternative dispute resolution process or procedures or claims that PAEM or its subsidiaries file or assert after the Effective Date under or in relation to contracts or law which relate to the period prior to the Effective Date, and (iv) any benefit resulting from the exchange, settlement, set off or other satisfaction or discharge of any of the foregoing Pre-Effective Date Assets.

To realize on the Pre-Effective Date Assets, Orca is entitled to make a written proposal setting out the details of (i) the amount or value of the Pre-Effective Date Asset to be distributed, (ii) the mechanics of the distribution, and (iii) the proposed date of the distribution. Swala PAEM has the right to dispute the proposal in which case some or all of the elements of the proposal will be submitted to a dispute resolution process if the dispute cannot be resolved between the Parties. The decision of the adjudicator is final and binding on the Parties. The Parties agreed to cause PAEM and its subsidiaries to pay, distribute or otherwise transfer, in accordance with the Investment Agreement, any Pre-Effective Date Assets that are or have been converted to cash or an equivalent cash value.

Pre-effective date assets of US$80 million cash, US$9 million of working capital and cash equal to US$4 million of Tanzania Electric Supply Company Limited arrears were distributed to Orca during 2017.

Pre-Effective Date Liabilities

Pre-Effective Liabilities includes any and all liabilities of PAEM and/or its subsidiaries which arose before the Effective Date, or relate exclusively to facts or circumstances that existed on or before the Effective Date. These include (i) any tax liabilities, negative adjustments and reassessments related exclusively to any taxable period ending on or before the Effective Date, (ii) any liabilities arising as a result of an audit by a third party and related exclusively to any period ending on or before the Effective Date, (iii) any liabilities resulting from any litigation, arbitration, alternative dispute resolution process or procedures or claims filed or asserted under or in relation to contracts to which to PAEM or its subsidiaries is party on the date of the Investment Agreement and related exclusively to facts or circumstances that occurred on or before the Effective Date and any similar future lawsuits, claims or appeals brought by the Parties thereto (other than PAEM or its subsidiaries) related to such matters or arising out of the conduct involved in such litigation, arbitration, alternative dispute resolution process or procedures or claims, and (iv) any environmental liabilities related exclusively to operations conducted by PAEM or its subsidiaries in the period ending on or before the Effective Date. For a liability to constitute a Pre-Effective Date Liability for the purposes of the Investment Agreement, all disputes, controversies, and claims (of any kind or type, whether based on contract, tort, statute, regulation or otherwise) arising out of, relating to, or connected with such liability or liabilities must have been determined by a court, administrative tribunal, arbitral tribunal or other dispute resolution body of competent jurisdiction in accordance with applicable law or by agreement of the Parties resulting in a non-appealable, binding and final judgment, decision or award.

Pre-Effective Date Liabilities do not include (i) any liabilities to IFC under the IFC Loan or certain related agreements, (ii) any liabilities that arise or are increased as a result in any change in applicable law after the

Effective Date, and (iii) any losses or liabilities as a result of any type of lawful nationalization, confiscation or expropriation of any asset of PAEM and/or its subsidiaries by a governmental authority.

Under the Investment Agreement, Swala PAEM is entitled to initiate, prior to December 31, 2021, a claims process against Orca in respect of Pre-Effective Date Liabilities. The claim notice must contain reasonable details of the grounds for the claim, the amount of the claim, and identify the Pre-Effective Date Liability to which the claim relates. Orca has the right to dispute the claim in which case some or all of the elements of the claim will be submitted to a dispute resolution process if the dispute cannot be resolved between the Parties. The decision of the adjudicator is final and binding on the Parties. The Parties agreed to cause PAEM and its subsidiaries to pay, distribute or otherwise transfer, in accordance with the Investment Agreement, any Pre-Effective Date Assets that are or have been converted to cash or an equivalent cash value. If Orca agrees with some or all of the claim or is otherwise liable for Pre-Effective Date Liabilities, then Orca will be required to either (i) pay in cash to PAEM or its subsidiaries, as applicable, the entire amount specified in the claim notice through the payment mechanism designated by Orca at the time of such payment or (ii) pay to Swala PAEM an amount equal to the product of the amount of the claim multiplied by Swala PAEM's percentage ownership interest in PAEM on the date of the claim notice.

Swala Preferred Shares

The issuance of the Swala Preferred Shares is subject to receipt of the approval of the shareholders of Swala and approval of the Dar es Salaam Stock Exchange. If Swala is unable to obtain such approvals within 30 days of signing the Investment Agreement, then that portion of the purchase price payable in Swala Preferred Shares must be paid in US dollars plus interest on the balance of the purchase price owing at a rate of 10% per annum from the closing date until the date of payment.

Under the Investment Agreement, Swala PAEM will use its best efforts to cause the board of directors of Swala to authorize the creation of 50.0 million Swala Preferred Shares, and to obtain the approval of the Swala shareholders to the creation and issuance of the Swala Preferred Shares to Orca. The meeting of the Swala shareholders to consider the creation and issuance of the Swala Preferred Shares is expected to take place before March 2018.

If the shareholders of Swala approve the creation of the Swala Preferred Shares, the Company expects the Swala Preferred Shares will have terms substantially similar to the following (in accordance with the Investment Agreement):

- Issue price and face value of US$1.00 per share.
- No entitlement to receive notice of, attend or vote at any meeting of the shareholders of Swala.
- Priority over other classes of shares of Swala with respect to the payment of cash distributions.
- Holders of the Swala Preferred Shares will be entitled to receive out of the distributable profits of Swala preferential U.S. dollar cash distribution in an amount equal to 10% per annum. Such cash distributions will be paid quarterly, and shall start to accrue on the closing date of the applicable tranche (rather than on the date of issuance of the Swala Preferred Shares).
- Orca shall have certain rights of redemption on each of December 31, 2018, 2019 and 2020. From December 31, 2021 onward, Swala will have certain redemption obligations. If Swala is unable to meet such redemption obligations, Orca may require Swala to return such number of PAEM Shares which aggregate value equals the amount of outstanding Swala Preferred Shares which cannot be redeemed for cash by Swala.
- The Swala Preferred Shares may be converted into fully paid ordinary shares of Swala by Orca at any time after the first anniversary of the closing of the first tranche, and by Swala on the sixth anniversary of the date such Swala Preferred Shares were issued. In the event that either party exercises its conversion right, the number of ordinary shares to be issued will be equal to the quotient

obtained by dividing (i) the face value of the outstanding Preferred Shares to be converted, by (ii) the weighted average closing price of the ordinary shares of Swala for 30-days prior to the conversion (expressed in U.S. dollars).

- Non-transferable without the prior written consent of Swala.

Additionally, pursuant to the terms of the Investment Agreement, the shareholders of Swala will have a pre-emptive right to purchase a certain number of the authorized amount of Swala Preferred Shares upon the issuance of Swala Preferred Shares to Orca.

IFC Arrangements

In connection with entering into the Investment Agreement, Orca and PAET expect to enter into an amendment and consent letter with IFC pursuant to which:

- PAET will agree to prepay the IFC loan facility in part based on the proportion to the total percentage of PAEM Shares sold to Swala PAEM by that date and, in any event, all of the outstanding principal amount and accrued and unpaid interests by no later than December 10, 2019;
- upon closings under the Investment Agreement, IFC's 7% participation interest would be reduced pro rata with the percentage of the PAEM Shares sold to Swala PAEM in consideration for PAET paying IFC the sum equal to the liquidity participation interest (10%) of the proportion of PAEM sold based on a valuation of US$325 million; and
- the parties would agree to make certain amendments to the IFC loan agreement and related financing documents in connection with the foregoing.

Shareholders' Agreement

In connection with the Investment Agreement, the Parties have entered into a shareholders' agreement (the "**Shareholders' Agreement**") regarding the operation and management of PAEM. The Shareholders' Agreement governs the material rights and obligations of the Parties in relation to their ownership of PAEM, including transfers of the PAEM Shares, the election of directors of PAEM, funding arrangements and other matters.

Change in Control

The Shareholders' Agreement entitles each Party, subject to certain exceptions, to acquire the other Party's PAEM Shares in the event of a change in control (the "**Compulsory Transfer Right**"). Under the Shareholders' Agreement, upon a change in control of either Orca or Swala PAEM (the applicable Party, the "**Seller**"), the other Party (the "**Buyer**") will have the option to purchase the Seller's PAEM Shares. The Compulsory Transfer Right may be exercised by the Buyer by providing written notice of its intention to exercise the right within 45 days after the Buyer receives notice to the Seller, which notice must include the proposed price for the Seller's PAEM shares. If the Seller and Buyer are unable to agree on a price for the Seller's PAEM Shares, the value will be determined by an independent expert. If the Buyer does not provide notice to the Seller of its intent to exercise the Compulsory Transfer Right, or is unable to finance the purchase of the Seller's PAEM Shares, then the Compulsory Transfer Right will expire without any transfer of the PAEM Shares.

Board Composition

Orca will retain the right to appoint a majority of the directors to the board of PAEM notwithstanding the completion of Swala PAEM's entire 40% investment in PAEM. Subject to certain exceptions, decisions of PAEM shall be made by a simple majority vote of the directors of PAEM.

PAEM's board of directors will be made up of five directors. Shareholders of PAEM will be entitled to nominate one or more directors to PAEM's board based on the percentage interest held by the shareholders (a "**Nomination Right**"). Each Nomination Right will be represented by a 20% block of interest in PAEM. The right of any PAEM shareholder to a Nomination Right will correspond to each whole or majority block of a 20% interest of PAEM held by such shareholder. Upon the first closing, Swala PAEM will hold 7.93% of PAEM. Orca will retain the Nomination Rights for directors. Assuming completion of all three tranches, Swala PAEM will own a 40% interest in PAEM and will have two Nomination Rights, with Orca retaining three Nomination Rights.

In the event that Swala PAEM's shareholders' interest in PAEM is 5% or more, but Swala PAEM is not entitled to a Nomination Right, Swala PAEM shall be entitled to nominate one person, as an observer, to receive the same information and notices as directors, and to attend board meetings, but not to vote. If at any time either Party ceases to be a shareholder of PAEM or again becomes entitled to nominate a director, it shall no longer have the right to nominate an observer.

Funding Obligations

Pursuant to the Shareholders' Agreement, PAEM's board of directors will prepare an annual business plan setting out the funding required for the annual operations of PAEM (the "**Required Funds**"). Required Funds shall be financed primarily through PAEM's working capital reserves. In the event that there is a shortfall between PAEM's working capital and the Required Funds, the Parties will finance the Required Funds in proportion to their percentage interest in PAEM.

Restrictions on Share Transfer

The Shareholders' Agreement prohibits either Party from transferring any of their respective PAEM Shares, except in certain circumstances. Any transfer of PAEM Shares must satisfy, among other things, the following conditions precedent:

- where the transferee is not a shareholder of PAEM, the remaining shareholders of PAEM and the transferee must execute a deed of adherence to the Shareholders' Agreement;
- if consent for the transfer is required under the IFC Loan, such consent has been obtained;
- the transferee is or becomes a party to the Shareholders' Agreement; and
- concurrently with the transfer, the transferee takes on an assignment of the proportionate amount of the selling shareholder's Funding Obligations.

Default, Drag-Along and Tag-Along Rights

The Shareholders' Agreement provides for Compulsory Transfer Rights at a 25% discount in the event that a Party is in default under the Shareholders' Agreement. The Shareholders' Agreement also provides for (i) rights of first refusal ("**ROFR**") where a shareholder proposes to sell its PAEM shares to a third party, and (ii) for drag along and tag along provisions in the event that a shareholder that holds greater than a 50% interest in PAEM is proposing to sell all of its PAEM Shares to a third party. Subject to the other terms of the Shareholders' Agreement, the ROFR provides the non-selling shareholder with a right to purchase the PAEM Shares on substantially the same terms as agreed to by such third party buyer. If the ROFR is not exercised, the selling party may exercise the drag along right allowing the third party buyer to purchase all of the outstanding PAEM Shares. If neither the ROFR nor the drag along right is exercised, the non-selling shareholder may exercise the tag along right, under which the third party buyer would be obligated to purchase all of the issued and outstanding PAEM Shares.

Call Option Agreement

In connection with completion of the first investment transaction, Orca and Swala PAEM will enter into a call option agreement (the "**Call Option Agreement**") with a third party security trustee acting on behalf of the Note holders (the "**Security Trustee**"). Orca currently expects the terms of the Call Option Agreement to provide that, except in certain circumstances as described below, PAEM and PAET will not undertake any new business that is not consistent with the current expected business activities of PAEM and PAET. Specifically, it is expected that the Call Option Agreement will prohibit PAEM and PAET from undertaking any new business that would be reasonably likely to cause: (i) PAEM to issue a funding request to Swala PAEM during the 12 months following the commencement of such new business; or (ii) a reduction in the regular distributions payable by PAEM to Swala PAEM, which would in either case result in Swala PAEM's debt coverage ratios falling below 1.15. Swala PAEM's debt coverage ratios are to be calculated by dividing the amount of Swala PAEM's available funds, by the amount of interest payable on the senior secured notes ("**Notes**"), issued by Swala PAEM in connection with the financing Swala PAEM's investment in PAEM, over the applicable 12 month period.

If PAEM or PAET propose to undertake any new business, Orca or Swala PAEM must first seek the consent of the Security Trustee. If the Security Trustee provides its consent, then PAEM or PAET may undertake such new business. If the Security Trustee refuses to provide consent, then PAEM or PAET (as applicable) may only undertake such new business if Orca exercises its call option under the Call Option Agreement (the "**Call Option**").

If the Security Trustee refuses to provide consent to any new business, Orca may exercise the Call Option. The Call Option is expected to provide an exclusive and irrevocable right to Orca to acquire some or all of the PAEM Shares held by Swala PAEM or the Security Trustee in trust for Swala PAEM (the "**Call Option Shares**"). It is expected that the price for the Call Option Shares will be the same price per PAEM Share as Orca received under the Investment Agreement and that the price for the Call Option Shares will be payable in cash and Swala Preferred Shares in the same ratio as Orca received under the Investment Agreement. The Call Option may only be exercised once, and expires upon the earlier of: (i) Swala PAEM's repayment of the Notes; (ii) Swala PAEM securing additional financing of not less than $20,000,000; (iii) 31 December 2019, and (iv) the completion of Orca's acquisition of the Call Option Shares.

Further Information

The summaries of the Investment Agreement and the Shareholders' Agreement contained in this material change report are summaries only and are qualified in their entirety by the Investment Agreement and the Shareholders' Agreement, copies of which are available under Orca's issuer profile on SEDAR at www.sedar.com.

5.2 DISCLOSURE FOR RESTRUCTURING TRANSACTIONS

Not applicable.

6. RELIANCE ON SUBSECTION 7.1(2) OF NATIONAL INSTRUMENT 51-102

Not applicable.

7. OMITTED INFORMATION

Not applicable.

8. EXECUTIVE OFFICER

The following executive officer of the Company is knowledgeable about the material change disclosed in this report and may be contacted as follows:

Blaine Karst
Chief Financial Officer
Phone: +44-1962-888-042

9. DATE OF REPORT

January 2, 2018

Forward Looking Information

This material change report contains forward-looking information. More particularly, this material change report contains statements and information concerning, but not limited to, the expected satisfaction and timing of escrow release conditions; the receipt of regulatory and third party approvals; the expected timing for closing the investment transactions; the potential completion of the remaining investment transactions; Swala and Swala PAEM's ability to obtain the necessary financing; the expected terms of negotiated agreements with IFC; Swala obtaining the necessary board and shareholder approvals to create and issue the convertible preferred shares; the expected levels of investment by Swala PAEM and related PAEM board Nomination Rights; the expected performance of PAEM's business; and other matters. Although management believes that the expectations reflected in the forward-looking information are reasonable, it cannot guarantee future agreement, levels of activity, performance or achievements since such expectations are inherently subject to significant uncertainties and contingencies. As a consequence, actual results may differ materially from those anticipated in the forward-looking information.

Forward-looking information involves substantial known and unknown risks and uncertainties, certain of which are beyond Orca's control, and many factors could cause the actual results to differ materially from those expressed or implied in the forward-looking information presented by Orca, including, but not limited to: that the third parties perform their obligations under the Investment Agreement and other related agreements; risks associated with obtaining third party or government approvals; risks associated with international activity; the uncertainty associated with negotiating with governments; that PAEM and PAET are able to carry on their business activities as expected, and other risk factors. Actual results, performance or achievements could differ materially from those expressed in, or implied by, the forward-looking information and, accordingly, no assurances can be given that any of the events anticipated by the forward-looking information will transpire or occur, or if any of them do so, what benefits Orca will derive therefrom. Readers are cautioned that the foregoing list of factors is not exhaustive.

Such forward-looking information is based on certain assumptions made by Orca in light of its experience and current knowledge of the circumstances, as well as other factors Orca believes are appropriate in the circumstances, including, but not limited to: that Swala PAEM will be able to obtain financing to close the investment transactions; that the escrow release conditions will be met on a timely basis; that the necessary approvals will be obtained; that third parties will perform their obligations under the agreements; that Swala will obtain the necessary approvals to create and issue the preferred shares; that PAEM and PAET are able to carry on their business activities as expected; and other matters.

The forward-looking information contained in this material change report is made as of the date hereof and Orca undertakes no obligation to update publicly or revise forward-looking information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.